

**Governmental Accounting Standards Board**

March 1999

No. 99-1

GASB Technical Bulletin

Title:

Disclosures about Year 2000 Issues—an amendment of
Technical Bulletin 98-1

References:

NCGA Statement 1, *Governmental Accounting and Financial
Reporting Principles*

NCGA Interpretation 6, *Notes to the Financial Statements
Disclosure*

GASB Concepts Statement No. 1, *Objectives of Financial
Reporting*

GASB Technical Bulletin No. 98-1, *Disclosures about Year
2000 Issues*

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Background

1. GASB Technical Bulletin (TB) No. 98-1, paragraph 4, refers to notes to the financial statements as the appropriate place to disclose year 2000 issues. Paragraph 7 of that TB states that a government's year 2000 disclosures "should include a description of the stages of work in process or completed as of the end of the government's reporting period to make computer systems and other electronic equipment critical to conducting operations year 2000-compliant. The additional stages of work necessary for making computer systems and other electronic equipment year 2000-compliant should also be disclosed. . . ."

Question 1

2. Does GASB TB 98-1 require governments to make an assertion that they will be year 2000-compliant with regard to their computer systems and other electronic equipment?

Response

3. No. Technical Bulletin 98-1 requires disclosure of the stages of work in process or completed as of the end of the government's reporting period to address year 2000 issues for computer systems and other electronic equipment. Paragraphs 6 and 7 of the TB are amended as follows:

6. Governments should disclose any significant amount of resources committed-contracted amounts at the end of the government's reporting period- to address year 2000 issues for computer systems and other electronic equipment.

7. Governments should disclose a general description of the year 2000 issue as it relates to their organization. This disclosure should include a description of the stages of work in process or completed as of the end of the government's reporting period to address year 2000 issues for computer systems and other electronic equipment critical to conducting operations. If computer systems and other electronic equipment critical to operations are in the same stage of work, the description of these systems and equipment may be combined for this disclosure. The disclosure should indicate, however, that the completion of these stages is not a guarantee that systems and equipment will be year 2000-compliant. The following stages have been identified as necessary to address the year 2000 issue.¹

Awareness Stage—Encompasses establishing a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the year 2000 issue.

Assessment Stage— When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components or, through a risk analysis, identify only mission-critical systems and equipment- systems and equipment critical to conducting operations.

Remediation Stage— When the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to address year 2000 system or equipment issues, and the required changes are made.

Validation/Testing Stage— When the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

¹Adapted from U.S. Securities and Exchange Commission, *Division of Market Regulation Year 2000 ("Y2K") Work Program* (January 1998).

Question 2

4. Would it be appropriate to make the disclosures required by TB 98-1 in required supplementary information rather than in the notes to the financial statements?

Response

5. Yes. Disclosures of year 2000 issues should be made either in the notes to the financial statements or in required supplementary information following the notes. TB 98-1, paragraph 4, is amended as follows:

In accordance with NCGA Statement 1, paragraph 158, and NCGA Interpretation 6, paragraphs 5 and 6, notes to the financial statements should disclose material items whose omission would cause the financial statements to be misleading. Furthermore, in accordance with NCGA Interpretation 6, paragraph 4, entities are required to disclose significant commitments in the notes to the financial statements. Disclosure of year 2000 issues is consistent with the objectives of financial reporting in GASB Concepts Statement 1, paragraph 79, which states that financial reporting should assist users in assessing the level of services that can be provided by the government and its ability to meet its obligations as they become due. GASB Concepts Statement 1 makes clear that financial reporting can occur outside of basic financial statements and related note disclosures. Required supplementary information is a means of communicating information outside of basic financial statements. Therefore, disclosures of year 2000 issues should be made either in the notes to the financial statements or as required supplementary information following note disclosures. The disclosures should include the same items of information that are required in paragraphs 6 and 7, as amended, whether the information is disclosed in notes to the financial statements or as required supplementary information.

Effective Date and Transition

6. The provisions of this Technical Bulletin are effective immediately. Retroactive application is allowed. The provisions terminate for financial statements for periods ending after December 31, 1999 unless mission-critical systems and other equipment are not operating because of the year 2000 issue as of the balance sheet date.

The Governmental Accounting Standards Board has authorized its staff to prepare GASB Technical Bulletins to provide timely guidance on certain financial accounting and reporting problems, in accordance with the procedures described in Technical Bulletin No. 84-1, *Purpose and Scope of GASB Technical Bulletins and Procedures for Issuance*. The provisions of Technical Bulletins need not be applied to immaterial items.

The GASB has reviewed this Technical Bulletin and a majority of its members do not object to its issuance.

Appendix

CODIFICATION INSTRUCTIONS

7. The section that follows updates the June 30, 1998 *Codification of Governmental Accounting and Financial Reporting Standards* for the effects of this Technical Bulletin. Only the paragraph number is listed if the paragraph will be cited in full in the Codification.

* * *

NOTES TO THE FINANCIAL STATEMENTS SECTION 2300

Sources: [Add the following:] GASB Technical Bulletin 99-1

TECHNICAL BULLETINS EFFECTIVE AFTER MARCH 15, 1992

Disclosures about Year 2000 Issues

.603 This paragraph provides Technical Bulletin guidance on disclosures about year 2000 computer and other electronic equipment issues.

Question 1

[GASBTB 99-1, ¶2]

Response

[GASBTB 99-1, ¶3]

Question 2

[GASBTB 99-1, ¶4]

Response

[GASBTB 99-1, ¶5]

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